

FISCAL NOTE

HB 27

February 5, 2003

SUMMARY OF BILL: Adds a new section to Title 67, Chapter 6, Part 3 that:

- Exempts "qualified elderly individuals from the state and local sales tax levied on food.
- Defines food products as any item eligible for purchase under the Food Stamp Act of 1977.
- Defines "qualified elderly individual" as an individual 65 years or older with income of \$30,000 or less for an individual or \$60,000 or less for a married couple.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$49,000,000

**Increase State Expenditures - Exceeds \$100,000 Recurring
\$339,000 One-Time**

Decrease Local Govt. Revenues - Exceeds \$19,000,000

Estimate assumes:

- Estimated state sales tax collections of \$447 million for food items in FY 2004
- In Tennessee, according to the 2000 census, 20.9% of the households are headed by someone over 65. Of this total, 66.8% fall under the income thresholds established by the bill according to 1999 IRS data. According to the Census Bureau's Consumer Expenditure Survey, households headed by individuals over 65 spend 20% less than the average household.
- The decrease in state revenues is calculated as: $\$447,000,000 \times 20.9\% = \$93,423,000$. $66.8\% \text{ of } \$93,423,000 = \$62,406,564$. $80\% \text{ of } \$62,406,564 = \$49,925,251$
- A recurring cost for the Department of Revenue of \$321,000 for maintaining the program.
- A one time cost of \$317,000 for the Department of Revenue to implement the program.
- The decrease in local government revenues is calculated in the same manner as the decrease to state revenues, using a FY 03-04 collection base of \$175,500,000. $\$175,500,000 \times 20.9\% \times 66.8\% \times 80\% = \$19,601,524$.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first name "James" being the most prominent.

James A. Davenport, Executive Director